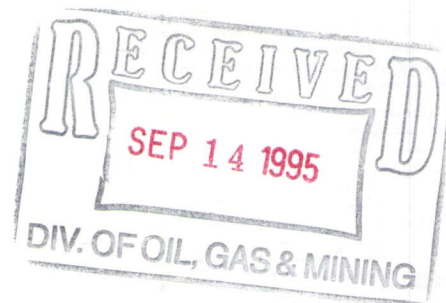




DOGM
MINERALS PROGRAM
FILE COPY

cc
T. Mitchell
LB 9-15-95

September 12, 1995



Lowell P. Braxton
Associate Director, Mining
State of Utah, Dept. of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

RE: Drum Mine M/027/007
Formal Request for Reduction of Reclamation Surety

Dear Mr. Braxton:

Western States Minerals Corporation hereby formally requests an immediate reduction in the reclamation surety for the portions of the Drum Mine currently under Western's permit. It is requested that said surety be reduced from the current amount of \$264,080 to the amount of \$124,700.

The reasons for this request are as follows. By letter dated July 10, 1995 to E. B. King, you presented Mr. King with a comprehensive estimate for a new reclamation surety sufficient not only for the original Drum Mine site, but for all other areas which Mr. King plans to disturb. Your estimate contained a five year escalation factor, and was calculated on the basis of year 2000 dollars.

Attached to this request is a portion of the DOGM estimated cost of reclamation which specifically addresses the costs of reclamation for the portions of the Drum Mine still under Western's permit. As you can see, your department calculates the current cost of reclamation to be \$96,329 which, after the inflation factor is considered, increases to \$124,707 in year 2000 dollars.

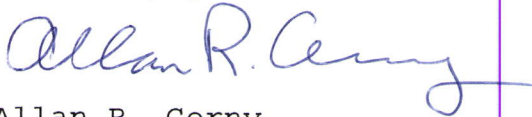
Western formally requests that DOGM reduce its bond to the amount which DOGM has calculated as sufficient to accomplish reclamation of the portions of the Drum Mine that still remain under

Lowell P. Braxton
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Western's permit. DOGM has estimated that no more than \$124,700 is required for this purpose, even considering the inflation factor. Though Western will continue to urge the speedy completion of the transfer of these portions of the mine site to Jumbo, there can be no justification for requiring Western to leave in place a bond that far exceeds DOGM's own estimated cost of reclamation.

Please advise us when we can expect this reduction.

Sincerely yours,

A handwritten signature in blue ink, reading "Allan R. Cerny". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Allan R. Cerny
Secretary

Certified Mail No. Z 271 349 241
Return Receipt Requested

cc: D. Wayne Hedburg, DOGM
Rex Rowley, BLM
Lee Foreman, Esq.

WSMC'S PORTION OF ORIGINAL ENTIRE SITE

DOGM ADJUSTED EST. \$96,329

-Total disturbed area =
CALCULATIONS

$$F = P(1 + i)^n$$

F = Future Sum

P = Present Sum

i = Escalation Factor

n = number of periods

YR	42.00 ACRES	
	ESCAL FACTOR	BOND AMOUNT
1985	0.0290	\$0
1986	0.0210	\$0
1987	0.0195	\$0
1988	0.0181	\$0
1989	0.0177	\$96,329
1990	0.0077	\$97,071
1991	0.0127	\$98,304
1992	0.0221	\$100,476
1993	0.0261	\$103,098
1994	0.0321	\$106,408
1995	0.0268	\$109,260
1996	0.0268	\$112,188
1997	0.0268	\$115,194
1998	0.0268	\$118,282
1999	0.0268	\$121,452
2000	0.0268	\$124,707

Three Yr Average = 2.68%
Used to Project 5 Yrs
Into the Future
From the Year 1995

Updated Surety Amount Rounded (2000 \$)

Average cost per acre =

\$124,700
2,969 (\$/ACRE)

JUMBO'S PORTION OF ENTIRE SITE

1989-\$ \$130,230

-Total disturbed area =
CALCULATIONS

YR	83.90 ACRES	
	ESCAL FACTOR	BOND AMOUNT
1985	0.0290	\$0
1986	0.0210	\$0
1987	0.0195	\$0
1988	0.0181	\$
1989	0.0177	\$130,230
1990	0.0077	\$131,233
1991	0.0127	\$132,899
1992	0.0221	\$135,837
1993	0.0261	\$139,382
1994	0.0321	\$143,856
1995	0.0268	\$147,711
1996	0.0268	\$151,670
1997	0.0268	\$155,735
1998	0.0268	\$159,908
1999	0.0268	\$164,194
2000	0.0268	\$168,534

Updated Surety Amount Rounded (\$168,600
Average cost per acre = 2,010 (\$/ACRE)